

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5 RECD S.E.C.  
PART III



02019765

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

RECD S.E.C.  
MAR 1 - 2002  
12/31/01 526

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

JAMES I BLACK & COMPANY

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

311 S FLORIDA AVE

(No. and Street)

LAKELAND

FL

33801

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JESS G TUCKER

863-686-4163

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

NOBLES DECKER LENKER & CARDOSO CPA'S PA

(Name — if individual, state last, first, middle name)

102 W WHITING ST STE 201

TAMPA

FL

33602-5114

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 28 2002

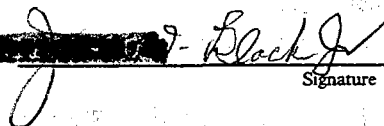
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THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

VF  
3-26-02

## OATH OR AFFIRMATION

I, JAMES I BLACK, JR, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JAMES I BLACK & COMPANY, as of DECEMBER 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

PRESIDENT

Title

  
JESS G. TUCKER

Notary Public, State of Florida  
My comm. exp. Jan. 27, 2006  
Comm. No. DD 086983

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) ~~Statement of Changes in Financial Condition.~~ STATEMENT OF CASH FLOWS
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

REPORT ON INTERNAL ACCOUNTING CONTROL

AND

CLIENT ADVISORY COMMENTS

JAMES I. BLACK & COMPANY

DECEMBER 31, 2001

NOBLES, DECKER, LENKER & CARDOSO  
Professional Association

Certified Public Accountants

# NOBLES, DECKER, LENKER & CARDOSO

PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

102 W. WHITING STREET  
SUITE 201  
TAMPA, FLORIDA 33602-5114

TELEPHONE  
813-223-3455  
FAX  
813-223-3515

February 25, 2002

Board of Directors  
James I. Black & Company  
Lakeland, Florida

In planning and performing our audit of the financial statements of James I. Black & Company, for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by James I. Black & Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

- 1) Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
- 2) Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
- 3) Complying with the requirements for prompt payment for securities under section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
- 4) Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned

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FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
James I. Black & Company

Page Two

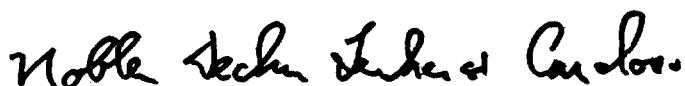
objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Nobles Decker Lenker & Cardoso".

NOBLES, DECKER, LENKER & CARDOSO

## COMMENTS AND OBSERVATIONS

### I. Accounting and Reconciliation Procedures

During the course of our audit, we noted that the Company improved their procedures regarding proper recording of clearing fees and bank charges. However, the Company could further their improvement by implementing the use of a monthly procedural checklist to document their recordation of known monthly recurring charges and the related reconciliation to outside third party information.

Additionally, it should be noted that numerous account reclassifications were necessary in order to consistently reflect expenses for both financial statement and tax return preparation. It is suggested that the Company expand its chart of accounts in order that expenditure categorization be readily determinable by personnel recording transactions.

### II. Depreciation, Employee Bonuses and Profit Sharing

In order to further enhance its interim financial information, the Company should estimate annual costs such as depreciation, employee bonuses and profit sharing. Such annual costs should be provided for on a monthly basis and reflected in any interim financial statements.

AUDITED FINANCIAL STATEMENTS

JAMES I. BLACK & COMPANY

DECEMBER 31, 2001

NOBLES, DECKER, LENKER & CARDOSO

Professional Association

Certified Public Accountants

AUDITED FINANCIAL STATEMENTS  
JAMES I. BLACK & COMPANY  
DECEMBER 31, 2001

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements:	
Statements of Financial Condition.....	2
Statements of Income .....	3
Statements of Changes in Stockholders' Equity .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
Supplementary Financial Information:	
Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission .....	11
Schedule II - Computation of Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission .....	12
Schedule III - Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission .....	13
Schedule IV - Schedule of Segregation Requirements and Funds in Segregation for Customers' Regulated Commodity Futures and Options Accounts.....	14



**NOBLES, DECKER, LENKER & CARDOSO**

PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

102 W. WHITING STREET  
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813-223-3515

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
James I. Black & Company  
Lakeland, Florida

We have audited the accompanying statements of financial condition of James I. Black & Company as of December 31, 2001 and 2000, the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of James I. Black & Company as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nobles Decker Lenker & Cardoso*

February 25, 2002

MEMBERS

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FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

STATEMENTS OF FINANCIAL CONDITION  
JAMES I. BLACK & COMPANY

	December 31,	
	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash	\$ 45,428	\$ 60,888
Deposits with clearing organizations	38,544	40,000
Receivables:		
Brokers-dealers and clearing organizations	13,744	-0-
Brokerage customers	3,033,942	3,555,815
Securities, at market value	26,247	40,238
Refundable income taxes	2,118	-0-
Exchange memberships, at cost (approximate market value \$52,000 in 2001 and \$190,000 in 2000)	5,000	5,000
Furniture and equipment, net of accumulated depreciation of \$63,466 and \$34,677, respectively	<u>45,003</u>	<u>66,781</u>
	<u>\$ 3,210,026</u>	<u>\$ 3,768,722</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Short-term bank loans	\$ 1,170,000	\$ 1,676,000
Payables:		
Brokers-dealers and clearing organizations	67,971	78,795
Brokerage customers	979,378	955,891
Income taxes payable	-0-	2,625
Accounts payable and accrued expenses	12,665	20,717
Accrued profit sharing contribution	36,816	96,816
Capital lease obligation	<u>1,614</u>	<u>7,851</u>
Total Liabilities	2,268,444	2,838,695
Stockholders' equity		
Common stock, no par value; 500 shares authorized, issued and outstanding at a stated value of \$100 per share	50,000	50,000
Additional paid-in capital	25,000	25,000
Retained earnings	<u>866,582</u>	<u>855,027</u>
Total Stockholders' Equity	<u>941,582</u>	<u>930,027</u>
	<u>\$ 3,210,026</u>	<u>\$ 3,768,722</u>

See Notes to Financial Statements

STATEMENTS OF INCOME  
JAMES I. BLACK & COMPANY

	Year Ended December 31,	
	<u>2001</u>	<u>2000</u>
REVENUES		
Commissions	\$ 1,507,230	\$ 1,609,429
Interest	227,195	332,745
Other	<u>13,430</u>	<u>15,298</u>
	1,747,855	1,957,472
EXPENSES		
Employee compensation and benefits	1,106,388	1,201,952
Interest	94,294	142,275
Floor brokerage, exchange and clearance fees	71,326	82,347
Communications and data processing	197,637	253,583
Occupancy	168,811	146,718
Other	90,872	75,832
Loss on disposal of assets	<u>-0-</u>	<u>16,322</u>
	<u>1,729,328</u>	<u>1,919,029</u>
INCOME BEFORE INCOME TAXES	18,527	38,443
Provision for income taxes	<u>6,972</u>	<u>9,725</u>
NET INCOME	<u>\$ 11,555</u>	<u>\$ 28,718</u>

See Notes to Financial Statements

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
JAMES I BLACK & COMPANY

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2000	\$ 50,000	\$ 25,000	\$ 826,309	\$ 901,309
Net income	<u>                    </u>	<u>                    </u>	<u>28,718</u>	<u>28,718</u>
Balance at December 31, 2000	50,000	25,000	855,027	930,027
Net income	<u>                    </u>	<u>                    </u>	<u>11,555</u>	<u>11,555</u>
Balance at December 31, 2001	<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ 866,582</u>	<u>\$ 941,582</u>

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS  
JAMES I. BLACK & COMPANY

	Year Ended December 31,	
	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 11,555	\$ 28,718
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	28,789	34,389
Loss on disposal of assets	-0-	16,322
(Increase) decrease in operating assets:		
Deposits with clearing organizations	1,456	( 4,000)
Receivables:		
Brokers-dealers and clearing organizations	( 13,744)	8,749
Brokerage customers	521,873	( 722,782)
Securities	13,991	( 35,763)
Refundable income taxes	( 2,118)	4,970
Increase (decrease) in operating liabilities:		
Short-term bank loans	( 506,000)	726,000
Payables:		
Brokers-dealers and clearing organizations	( 10,824)	17,286
Brokerage customers	23,487	( 49,693)
Income taxes payable	( 2,625)	2,625
Accounts payable and accrued expenses	<u>( 68,052)</u>	<u>24,057</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	( 2,212)	50,878
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of furniture and equipment, net	<u>( 7,011)</u>	<u>( 70,740)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	( 7,011)	( 70,740)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	<u>( 6,237)</u>	<u>( 5,900)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>( 6,237)</u>	<u>( 5,900)</u>
<b>NET DECREASE IN CASH</b>	( 15,460)	( 25,762)
<b>CASH AT BEGINNING OF YEAR</b>	<u>60,888</u>	<u>86,650</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 45,428</u></u>	<u><u>\$ 60,888</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u>\$ 105,622</u>	<u>\$ 132,787</u>
Income tax paid	<u>\$ 11,715</u>	<u>\$ 2,130</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS  
JAMES I. BLACK & COMPANY

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity: James I. Black & Company (the Company) was founded in 1964 and is primarily engaged in the securities brokerage business in Lakeland, Florida. The Company is a broker-dealer registered with the Securities and Exchange Commission.

Security Transactions: Securities transactions and related commission revenues and expenses of the Company are recorded in the accounts on a trade date basis. The customers' securities are recorded on a settlement date basis. The Company's accounting and reporting policies conform to generally accepted accounting principles.

Securities: Securities owned by the Company are valued at market and the resulting unrealized gains and losses are reflected in income.

Furniture and equipment: Furniture and equipment are stated at cost. Depreciation is determined using both the straight-line and the declining-balance methods over the estimated useful lives of the assets, ranging from three to five years. Depreciation includes the amortization of capital equipment lease.

Pervasiveness of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising: The Company's policy is to expense advertising costs as the costs are incurred. Advertising expense was \$8,450 and \$1,955 for the years ended December 31, 2001 and 2000, respectively.

NOTE B -- RECEIVABLE FROM AND PAYABLE TO BROKERAGE CUSTOMERS

Accounts receivable from and payable to brokerage customers include amounts arising from cash and margin transactions. Securities owned by brokerage customers are held as collateral for receivables. Such collateral is not reflected in the accompanying financial statements.

NOTE C -- BANK LOANS

The Company makes short-term bank loans under a credit agreement of up to \$2,000,000. The borrowings are payable on demand and are fully collateralized by the customers' margin account securities at a 70% advance ratio. The interest rate charged is .5 percentage point (1/2%) above the bank's prime rate (3.75% at December 31, 2001). As of December 31, 2001 and 2000, the bank loan of \$1,170,000 and \$1,676,000, respectively, was collateralized by margin customer securities of \$2,940,456 and \$2,778,140, respectively.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
JAMES I. BLACK & COMPANY

NOTE D -- CAPITAL LEASE OBLIGATION

During the year ended December 31, 1999, the Company acquired equipment through a capital lease obligation. The capitalized cost of the asset acquired under the capital lease obligation totaled \$17,967 less accumulated depreciation of \$13,439 and \$10,421 at December 31, 2001 and 2000, respectively.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments are as follows for the year ending December 31, 2002:

Total lease payments	\$ 1,629
Amount representing interest	( 15)
Present value of future minimum payments	1,614
Less: current portion	( 1,614)
Long term portion	<u>\$ -0-</u>

NOTE E -- INCOME TAXES

The components of the provision for corporate income tax are as follows:

	<u>2001</u>	<u>2000</u>
Current		
Federal	\$ 5,233	\$ 7,226
State	<u>1,739</u>	<u>2,499</u>
	<u>\$ 6,972</u>	<u>\$ 9,725</u>

A reconciliation of the expected and the reported provision for corporate income tax follows:

	<u>2001</u>	<u>2000</u>
Provision expected based on statutory rates	\$ 3,645	\$ 7,563
Effect of non-deductible items	2,786	2,122
Other items, net	<u>541</u>	<u>40</u>
	<u>\$ 6,972</u>	<u>\$ 9,725</u>

NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
JAMES I. BLACK & COMPANY

NOTE F -- NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1). As a result, the Company is required to maintain a minimum net capital level. As of December 31, 2001, the Company had net capital of \$883,705 and net capital requirements of \$250,000, resulting in \$633,705 capital in excess of the minimum required.

NOTE G -- PROFIT SHARING PLAN

The Company has a noncontributory profit-sharing plan, which covers substantially all full-time employees. The Board of Directors annually determines the amount contributed. For the years ended December 31, 2001 and 2000, company contributions were \$60,000 and \$96,816, respectively.

NOTE H -- RELATED PARTY TRANSACTIONS

During year 2000, the Company relocated its office space and is paying rent on a month to month basis to an entity owned by two of its stockholders. Rents paid for the years ended December 31, 2001 and 2000, were \$81,000 and \$30,000, respectively. Previously, the Company leased its prior office space from a single stockholder and paid rent of \$15,264 during the year 2000. Annual building rentals of \$81,000 and \$45,264 are included in occupancy expenses for the years ended December 31, 2001 and 2000, respectively.

NOTE I -- FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company purchases and sells securities and commodities as either principal or agent on behalf of its cash or margin customers. If either the customer or a counter-party fails to perform, the Company may be required to discharge the obligations of the non-performing party. In such circumstances, the Company may sustain a loss if the market value of the security or futures contract is different from the contract value of the transaction.

NOTE J -- SUBORDINATED LIABILITIES

The Company did not have liabilities subordinated to claims of general creditors as of December 31, 2001 and 2000, nor were there any increases or decreases in such liabilities during the respective years then ended.

NOTE K -- CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits during the year. However, there were no concentration risks as of December 31, 2001 and 2000.



NOTES TO FINANCIAL STATEMENTS -- CONTINUED  
JAMES I. BLACK & COMPANY

NOTE L -- COMMITMENTS

The Company has entered into non-cancelable equipment leases and future minimum rentals are as follows:

<u>December 31</u>	<u>Amount</u>
2002	\$ 14,493
2003	13,277
2004	<u>6,596</u>
	<u>\$ 34,366</u>

Annual equipment rental expenses included in occupancy and equipment expenses for the years ended December 31, 2001 and 2000 were \$14,493 and \$21,057, respectively.

SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934

JAMES I. BLACK & COMPANY

As of December 31, 2001

SCHEDULE I  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION

JAMES I. BLACK & COMPANY

As of December 31, 2001

Stockholders' equity		\$ 941,582
Deductions and charges		
Non-allowable assets		
Exchange memberships	5,000	
Furniture and equipment	<u>45,003</u>	
		<u>50,003</u>
Net capital before haircuts on security position		891,579
Less:		
Haircuts on security positions		<u>7,874</u>
Net capital		<u>\$ 883,705</u>
Aggregate indebtedness		<u>\$ 2,268,444</u>
Minimum net capital required		<u>\$ 250,000</u>
Excess net capital		<u>\$ 633,705</u>
Excess net capital at 1000%		<u>\$ 656,861</u>
Ratio: Aggregate indebtedness to net capital	<u>2.57 to 1</u>	

RECONCILIATION WITH COMPANY'S COMPUTATION

(included in Part II of Form X-17A-5 as of  
December 31, 2000)

Net capital as reported in Company's Part II (unaudited Focus report)	\$ 857,578
Change in clearance and other operating expenses, net	( 5,399)
Change in securities	( 10,592)
Change in income tax provision	2,118
Change in discretionary profit sharing	<u>40,000</u>
Net capital per above	<u>\$ 883,705</u>

SCHEDULE II  
COMPUTATION OF DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

JAMES I. BLACK & COMPANY

As of December 31, 2001

Credit balances:

Free credit balances and other credit balances in customers' security accounts	\$ 939,862
---	------------

Monies borrowed, collateralized by securities carried for the accounts of customers	1,170,000
--	-----------

Customers' securities failed to receive (including balances in continuous net settlement accounts)	<u>67,971</u>
---	---------------

Total credit items	2,177,833
--------------------	-----------

Debit balances:

Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection, net of deductions pursuant to Rule 15c3-3	2,978,074
---	-----------

Failed to deliver of customers' securities not older than 30 calendar days (including debit balances in continuous net settlement accounts)	<u>-0-</u>
---	------------

Total debit items	<u>2,978,074</u>
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RESERVE COMPUTATION

Excess of total debits over total credits	<u>\$ 800,241</u>
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Required deposit	<u>NONE</u>
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RECONCILIATION WITH COMPANY'S COMPUTATION  
(included In Part II of Form X-174-5 as of December 31, 2001)

Excess as reported in Company's Part II (unaudited Focus report)	\$ 786,349
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Change in settlement accounts and unsecured accounts, net	<u>13,892</u>
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Excess per this computation	<u>\$ 800,241</u>
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SCHEDULE III  
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

JAMES I. BLACK & COMPANY

As of December 31, 2001

	<u>Market Value</u>	<u>Number of Items</u>
1) Customers' fully paid and excess margin securities not in the Company's possession or control as of December 31, 2001 but for which instructions to reduce possession or control had been issued as of December 31, 2001, but for which the required action was not taken within the time frames specified under Rule 15c3-3	None	None
2) Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of December 31, 2001, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3	None	None

SCHEDULE IV  
SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR  
CUSTOMERS' REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS

JAMES I. BLACK & COMPANY

As of December 31, 2001

The Company is exempt from making the daily computations of segregation and secured amount requirements pursuant to Section 4d(2) of the Commodity Exchange Act and Regulation 30.7 and the regulations thereunder, and the segregation of funds and secured amounts based upon such computations. As an introducing broker-dealer, the Company clears all commodities transactions with and for customers on a fully disclosed basis with a clearing broker-dealer, and promptly transmits all customer funds and securities to the clearing broker-dealer which carries all of the accounts of such customers and maintains and preserves such books and records thereto.